September 21, 2006

Dear Legislator,

The Michigan Apollo Alliance recently formed to promote quality jobs and a cleaner, more secure energy future for our state and the nation. An emerging opportunity lies in policies that encourage increased investment in the manufacture of advanced fuel-efficient vehicle technologies. With the right policies, Michigan can lead in the development and manufacture of new automotive technologies, as well as the production of renewable fuels.

Now is the time to act. Rising gas prices and concerns over America's dependence on foreign oil have engaged the public. A number of policies at the federal level, and initiatives the Michigan legislature could implement, serve as guides for strengthening Michigan's auto industry and developing the next generation of automobiles. The Michigan Apollo Alliance, the state arm of a national movement of labor unions, environmentalists and business leaders, believes the following core principles should guide legislation dealing with the auto industry:

- With a history of innovation, American auto manufacturers can build a whole new generation of automobiles. However, incentives are needed to promote advanced technologies and to level the playing field for domestic auto makers competing with foreign-based rivals. Priority should be given to incentives that significantly increase investment in the domestic production of fuel-efficient vehicle technologies and focus on maintaining and expanding Michigan's auto industry jobs.

- American farmers can lead the way in growing new forms of bio-based energy. Now that the Michigan legislature has passed legislation providing incentives for the production, sale and distribution of biofuels in the state, it's time to implement a Renewable Fuels Standard to further grow the market for homegrown energy crops. This standard should specifically promote Michigan-based biofuel production and the use of cellulosic ethanol, which offers superior oil savings. Incentives should also be linked to responsible contractors assuring family supporting wages and benefits.

- Solutions to the current high price of gasoline should further promote the domestic manufacture of advanced automotive technologies rather than subsidizing fuel purchases.

- Public policies to promote investment in fuel-saving technologies must result in clear improvements in environmental outcomes and energy security. Substantial incentives and regulatory certainty will boost new investments in vehicle fuel efficiency and flex fuel technologies. These policies should emphasize job creation and transformation of valuable manufacturing infrastructure in Michigan's vital auto sector in concert with environmental and energy security benefits.

We urge you to adopt legislation advancing these goals immediately. State officials can further promote the production of energy efficient vehicle technologies and homegrown biofuels, as well as implement a number of other measures aimed at creating good, high wage jobs while reducing Michigan's energy imports. Legislation currently being considered by the U.S. Congress also includes several measures that seek to simultaneously achieve energy independence and job growth in the automotive and agricultural sectors.

If government will create the right policy environment, Michigan's auto industry can continue its tradition of manufacturing excellence and lead the nation to energy independence. Michigan's agricultural sector can further contribute to energy independence leadership. The Michigan Apollo Alliance looks forward to working with you on this critical agenda.

Sincerely,

Clean Water Action-Michigan

Ecology Center

Environment Michigan

International Brotherhood of Electrical Workers, Local 58

International Union, UAW

Michigan AFL-CIO

Michigan League of Conservation Voters

Michigan Environmental Council

National Wildlife Federation Great Lakes Office

PIRGIM-Public Interest Research Group in Michigan

United Steelworkers of America, District 2

GREEN MACHINES TOUR

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SUMMARY FINDINGS
THE FACILITY CONVERSION TAX INCENTIVE STUDY

A new study, *Fuel Saving Technologies and Facility Conversion: Costs, Benefits, and Incentives*, found that tax incentives for the conversion of facilities to produce fuel-efficient vehicle technologies would have an overall significant positive effect on the national economy, with the most benefits concentrated in Michigan. The study was released by the University of Michigan Office for Study of Automotive Transportation (OSAT), the Michigan Manufacturing Technology Center for the National Commission on Energy Policy, and the Michigan Environmental Council. It was published as a technical appendix to the larger National Commission on Energy Policy report, *Ending the Energy Stalemate: A Bipartisan Strategy to Meet America's Energy Challenges*.

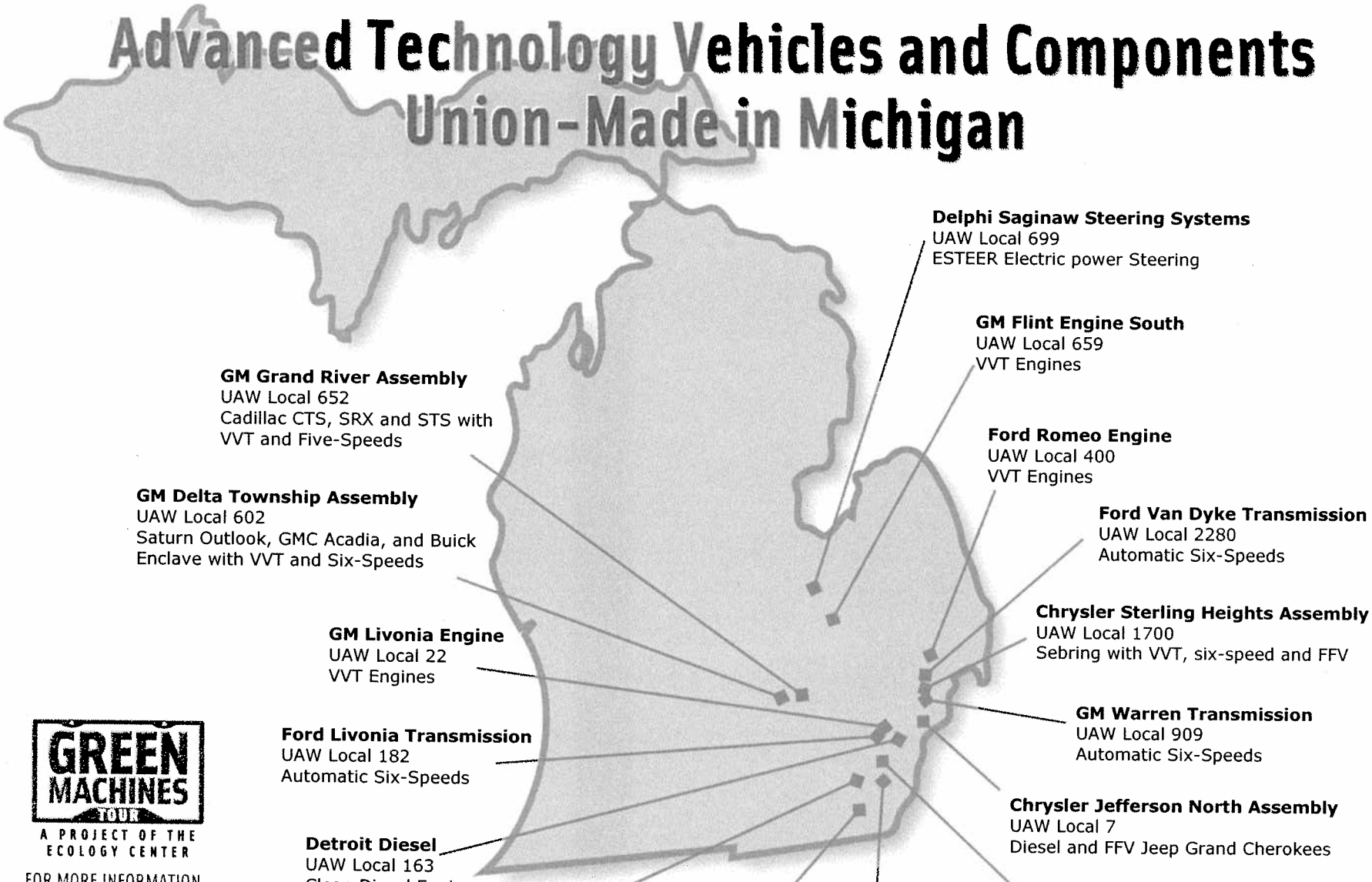
SUMMARY OF STUDY FINDINGS

- A manufacturer tax credit could help to position the US-based auto industry to gain share in hybrid and advanced diesel vehicle markets in a rapidly growing segment
- Without such an incentive, a majority of hybrid and advanced diesel (H & AD) vehicles will likely be imported, resulting in up to 200,000 lost jobs and $2.8 billion per year in lost federal tax revenues (depending on market scenarios)
- Job and tax losses would be concentrated in the Midwest, primarily Michigan, Ohio and Indiana
- An investment tax credit for the production of H & AD components made in existing U.S. facilities (covering 67% of tooling and equipment costs) could help to preserve up to 25% of projected job and economic losses, by inducing both component and vehicle production here in the U.S.
- The cost of such a credit could be as high as $1.1 billion over 5 years, but result in tax gains of greater than $8 billion over a 10-year period
- The policy would help to save up to 117,000 barrels of oil per day
- Additional investment credits for the *assembly* of H and AD vehicles could provide further tax and job benefits, and deserves further study

While not the subject of the study, similar tax policies could also be implemented in key automotive production states, further helping to reduce job and tax revenue losses in those states.

The full study is available online at: *http://www.greenmachinestour.org/policy.shtml*

Advanced Technology Vehicles and Components
Union-Made in Michigan



Delphi Saginaw Steering Systems
UAW Local 699
ESTEER Electric power Steering

GM Flint Engine South
UAW Local 659
VVT Engines

GM Grand River Assembly
UAW Local 652
Cadillac CTS, SRX and STS with VVT and Five-Speeds

Ford Romeo Engine
UAW Local 400
VVT Engines

GM Delta Township Assembly
UAW Local 602
Saturn Outlook, GMC Acadia, and Buick Enclave with VVT and Six-Speeds

Ford Van Dyke Transmission
UAW Local 2280
Automatic Six-Speeds

Chrysler Sterling Heights Assembly
UAW Local 1700
Sebring with VVT, six-speed and FFV

GM Livonia Engine
UAW Local 22
VVT Engines

GM Warren Transmission
UAW Local 909
Automatic Six-Speeds

Ford Livonia Transmission
UAW Local 182
Automatic Six-Speeds

Chrysler Jefferson North Assembly
UAW Local 7
Diesel and FFV Jeep Grand Cherokees

Detroit Diesel
UAW Local 163
Clean Diesel Engines

Ford Wayne Assembly
UAW Local 900
PZEV Focus

GM Willow Run Transmission
UAW Local 735
Automatic Six-Speeds

GM Romulus Engine
UAW Local 163
Engines with Cylinder Deactivation

GEMA Engine
UAW Local 723
VVT Engines

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